



Department of Justice

FOR IMMEDIATE RELEASE
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**JUSTICE DEPARTMENT WILL NOT CHALLENGE JOINT VENTURE BETWEEN HMO
AND PHYSICIAN ORGANIZATION IN NORTHEASTERN PENNSYLVANIA**

WASHINGTON, D.C. -- The Department of Justice said today that it would not challenge a proposed joint venture between an HMO and a physician organization in Northeastern Pennsylvania.

Under the proposal, First Priority Health (FPH), an HMO and subsidiary of Blue Cross of Northeastern Pennsylvania, and NEPPO Ltd., a limited partnership of 166 specialists and primary physicians, would join together to form First Priority Health System (FPHS), a risk-bearing service delivery organization that will provide and manage medical services for the HMO enrollees in Scranton, Pennsylvania and surrounding counties.

In a Business Review Letter issued by the Department's Antitrust Division, Assistant Attorney General Joel I. Klein said, the proposed joint venture of First Priority Health and NEPPO Ltd. is an "innovative and potentially procompetitive venture." Klein explained that, although it will create a competitive challenge to other area managed care plans, it will not likely foreclose them from competing with adequate physician panels to serve their enrollees in the area.

NEPPO has agreed that FPHS will be the only managed care plan for most of its primary care physicians who will serve as "gatekeepers."

A gatekeeper plan is one in which enrollees must obtain a referral from a primary care physician (gatekeeper) to see a specialist.

Some area employers and competing HMO's expressed concern that most NEPPO primary care physicians could not participate as gatekeepers in other plans. However, the Department's investigation concluded that nearly 70 percent of area primary physicians would likely be available to contract with other plans.

The FPHS gatekeeper exclusivity arrangement, which applies to 38 NEPPO primary physicians, does not affect other NEPPO or non-NEPPO physicians. All specialists contracting with FPHS and all primary care physicians not participating in NEPPO will be free to contract with other payers. In addition, all NEPPO primary care physicians will be able to contract freely with non-gatekeeper-type plans.

Prices for all physicians serving FPHS will be determined by a Reimbursement Committee of FPHS made up entirely of members of the FPHS Board of Directors appointed by FPH, the payer. No physicians will be involved in setting the prices to be paid by FPHS for physician services.

The Department has no present intention of challenging the formation or operation of FPHS. However, should FPHS's activities prove to be anticompetitive in purpose or effect, the Department remains free to bring whatever action or proceeding it believes is required by the public interest.

Under the Department's business review procedure, an organization may submit a proposed action to the Antitrust Division and receive a statement whether the Division will challenge the action under the antitrust laws.

A file containing the business review request and the Department's response may be examined in the Legal Procedure Unit of the Antitrust Division, Room 215 North, Liberty Place Building, Department of Justice, Washington, D.C. 20530. After a 30-day waiting period, the documents supporting the business review will be added to the file.

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